Corporate Credit & Issue Rating

☐New ☒Update

Sector: Banking

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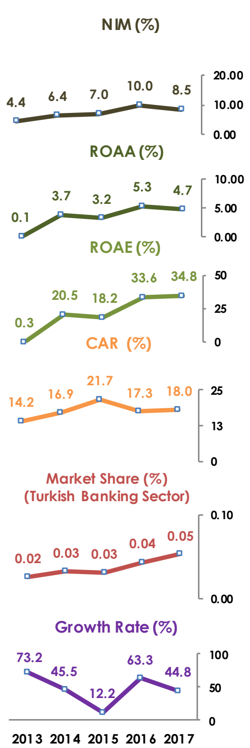
RATINGS

			Long Term	Short Term
International	Foreign Currency		BBB-	A-3
	Local Currency		BBB	A-3
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Issue Rating		n.a.	n.a.
National	Local Rating		AA(Trk)	A-1(Trk)
	Outlook		Stable	Stable
	Issue Rating		AA(Trk)	A-1(Trk)
Sponsor Support			1	-
Stand-Alone			AB	-
Sovereign*	Foreign Currency		BBB-	-
	Local Currency		BBB-	-
	Outlook	FC	Stable	-
		LC	Stable	-

***Affirmed by JCR on November 10, 2017**



Nurol Yatırım BankasıA.Ş.

Company Overview

Financial Data	2017*	2016*	2015*	2014*	2013*
Total Assets (000 TRY)	444,615	390,417	246,300	275,358	206,021
Total Assets (000 TRY)	1,694,160	1,169,651	716,141	638,527	438,907
Total Net Loans (000 TRY)	1,064,933	742,918	431,711	356,456	241,190
Equity (000 TRY)	222,964	168,218	128,936	106,222	90,422
Net Profit (000 TRY)	54,291	41,083	16,381	15,867	516
Market Share (%) **	0.052	0.043	0.031	0.032	0.025
ROAA (%)	4.75	5.29	3.16	3.74	0.09
ROAE (%)	34.77	33.55	18.21	20.52	0.31
Equity/Assets (%)	13.16	14.38	18	16.64	20.6
CAR - Capital Adequacy Ratio (%)	18.05	17.34	21.66	16.89	14.2
Asset Growth Rate (Annual) (%)	44.84	63.33	12.16	45.48	73.21

** End of Year ** On Solo Basis*

Nurol Yatırım Bankası A.Ş. (hereinafter "**Nurol Bank**" or the "**Bank**"), was incorporated in August,1998 and started its operations in May,1999. The Bank carries out operations in the fields of financial consulting, structured finance, private equity, leasing, factoring and cash loans- guarantees through a workforce of 50 as of December 31,2017.

The Bank with a total asset size of TRY 1.69bn, had 0.052% (FYE2016: 0.043%) and 0.97% (FYE2016: 0.82%) market shares in the entire banking sector and Turkish Development and Investment Banking Sector as of December 31,2017.

The majority shareholders of the Bank were Nurol Holding A.Ş. (78.16%) and Nurol İnşaat ve Tic. A.Ş. (15.96%), which also has direct and indirect control over the Nurol Group- Nurol Holding Inc., founded in 1989, engaged in construction and contracting, defense, manufacturing, real estate investment, energy, tourism, mining, finance, trade, and service sectors in Turkey and internationally sectors through 40 companies within the Group.

Strengths

- Strong asset growth supported by resilient expansion in loans despite below-the-sector NPL figures,
- Diversification of funding sources through bond issue, subordinated loans and funds obtained from international organizations along with the realized and possible positive effects on funding costs,
- Established earnings structure supporting in profitability ratios -outperforming sectorial averages,
- Maintaining capitalization level absorb incidental losses support sustainability,
- High level of compliance regarding corporate governance implementations and sustainability.

Constraints

- Impediment on potential utilization via limited income stream,
- High level of credit risk concentration among the top ten cash and non-cash loans customers deteriorating asset quality,
- Rising risks of weakened TL and downside risks to growth exerting pressure on profit margins and impacts on debt-servicing capabilities of the real sector further aggravated by the recent upward trend in bankruptcy postponements.

1. Rating Rationale

In the assignment of Nurol Bank's ratings, quantitative and qualitative assessments have been taken into consideration such as; (i) continuation of asset quality level underpinned by lower-than-sector average NPLs coupled with the Bank's relatively low level of write-offs exercises, (ii) maintenance of growth performance in loan portfolio, (iii) stable earning generation with core profitability indicators, (iv) despite maintaining current capitalization level above the required and recommended levels, the Bank's current Tier 1 (CET1) capital conservation capital share among the total shareholders' equity was remarkably lower than the Turkish Development and Investment Banking Sector average, indicating a relatively low buffer against potential incidental losses, (v) liquidity position supported by alternative funding sources, (vi) the Bank's effective risk management and generally conservative risk appetite, (vii) high compliance level with corporate governance principles, (viii) shareholder structure.

The rating study is primarily based on Nurol Bank's consolidated independent audit reports prepared in line with International Financial Reporting Standards (IFRS). Additionally, the banking sector comparison is based on unconsolidated financial statements compiled according to Banking Regulation and Supervision Agency (BRSA) regulations and independently audited.

JCR Eurasia Rating has affirmed Nurol Bank's National Local Rating Notes of '**AA (Trk)**' in the long term, which denotes a high investment grade, and '**A-1 (Trk)**' in the short term. The Bank's International Long Term Foreign Currency note has been affirmed as **"BBB-"** with **"Stable"** outlooks.

The Key Rating Drivers are;

Profitability Indicators Above Turkish Development and Investment Banking Sector Average

Sector wide profitability indicators continued its stable trend as was the case for Nurol Bank. Return on assets and equity ratios maintained its level as of FYE2017 thanks to a sound profit increase of 24.33% YoY according to the IFRS compliant consolidated financial statements.

The decreasing share of net fee and commission income within the total income composition was also notable. Its share among the total income (7.14%) was remarkably below the sector average (19.04%). Compared to the sector, the Bank has upside potential in this segment.

As per to the Bank's BRSA-solo based profit figures, the Bank underperformed the sector average regarding ROAA, whilst ROAE ratio outperformed the sector over the last four-year period.

Though the net interest margin displayed a slight progress in the last year, it stayed somewhat above the sector averages. Moreover, the enhanced and below sector average operating expenses to average total assets ratio confirms the Bank's efficiency.

Maintaining Capitalization Level

Nurol's non-consolidated CAR increased by 0.71% to 18.05% in FYE2017. The Bank's CAR stood below the Turkish development and investment banking sector average, while being above the Turkish banking sector average since FYE2014. The weight of the core capital within the own fund structure has continued to increase. The Bank has also remained compliant with minimum requirements of Common Equity Tier 1 Ratio (4.5%) and Tier 1 Ratio (6%) set by the BRSA. The Bank's CET1 ratios was 13.69% as of FYE2017(FYE2016:12.12%). The Bank's net interest margin over the sector averages and net positive effect of possible regulatory changes and CET1 share absorb incidental losses support sustainability.

Outperformed Sector Averages

2017 was prosperous year for the Bank, with growth in assets, loans, and profit. At the end of FY2017, the Bank recorded growths in assets, loans and profit of 44.84%, 43.34% and 32.15%, respectively. Nurol Bank experienced robust growth performance through almost all principal banking segments in FY2017. The growth in assets and loans were 63.31% and 72.09%, respectively regarding IFRS based financials and outperformed the averages of the Turkish Banking Sector (15.84% and 16.70%) and Turkish Development and Investment Banking Sector (33.88% and 36.16%) sectors.

Despite a rapid growth rate of loans, the Bank's NPLs ratio stood at 0.002% at the end of FY2017, lower than the previous year's ratio of 0.003% and below the averages NPLs ratios of the sectors over the past three years.

Diversified Funding Sources

Nurol Bank continued its efforts to diversify and extend the maturity of provided funds. 44.78% of total liabilities were driven by bond issues. In addition to the provided long term borrowing from overseas financial markets, the Bank has also facilitated a subordinated loan from the international financial institutions. The Bank issued USD10mn. Eurobond as of March 31, 2016 as subordinated debt which is accounted as Tier 2 Capital. Additionally, Overseas Private Investment Corporation (OPIC) provided USD10mn. loans as of December 12, 2016.

Persisting High Credit Risk Concentration

The Bank's largest 10 corporate customers constituted 67.60% (FYE2016:79.80%) of the total corporate cash outstanding loans and 48.9% (FYE2016: 72%) of total non-cash loans, maintaining high concentration levels. The Bank's high concentration level, a by-product of the Company's decision to focus on larger corporate customers, increases the exposure to a single-party risk.

High Level of Compliance regarding Corporate Governance Implementations and Sustainability

Nurol has high compliance level with the corporate governance principles particularly regarding the exercise of shareholders' rights, efficient and comprehensive system of public disclosure and the Bank website together serving as an effective platform in their supporting the transparency level, comprehensive risk management system with functionalized organizational units of internal control and internal audit, contributions to publicly known event and project.

2. Outlook

JCR Eurasia Rating has affirmed "**Stable**" outlooks on the short and long term national and international ratings perspectives of Nurol Yatırım Bank, regarding its capability to maintain sound balance sheet composition and the capital adequacy ratio well above the legal and targeted boundaries indicating the capacity to absorb incidental losses as well as positive growth prospects in the Turkish economy even under arising worrisome circumstances

The general key considerations which would impede the ratings are (i) the sovereign rating level of Turkey, (ii) probable adversities in terms of external finance pressures to be exerted by outflow of funds in the medium term, (iii) length and management of temporary margin contraction pressures to result from re-pricing of assets in a changing interest rate environment and (iv) increasing tension in international politics particularly pertaining to Turkey's neighbouring countries and in internal politics pertaining to persistence and recurrence risk of the current unrest.

3. Sponsor Support and Stand Alone

Nurol Bank's Sponsor Support Note has been determined by taking into account the financial strength and support willingness of the qualified shareholders of Nurol Holding A.Ş.

In light of the shareholders' financial and operational positions as well as their willingness, it is considered that the prospective financial support on offer will be restricted when financial needs arise in the short or long term. Based on these assessments, the Sponsor Support Note of the Bank has been affirmed as "**1**", which denotes a strong external support possibility.

The Stand Alone Note of the Bank has been affirmed as **"AB"** considering its satisfactory equity and liquidity levels, market presence and long operating history, internal resource generating capability and risk management practices as well as asset profile. This Stand Alone note provides that the Bank is likely to be able to manage its balance sheet risks successfully even if the shareholders or public authorities do not provide any assistance.

4. Company Profile

a. History

Nurol Yatırım Bankası A.Ş. was established on August 6, 1998 as an investment Bank and commenced operations in May 1999. The Bank was set up as a subsidiary of Nurol Holding, a prominent conglomerate in Turkey with stakes in various industries and a primary focus on the Construction & Contracting, Defence & Production, Energy, Trading & Service, Finance and Tourism sectors. While the corporate, retail, investment and regional banking constitute the principal axis of Nurol Bank's operations, the Bank also offers financial leasing, factoring, trade finance and consulting services.

b. Organization & Employees

The Bank's headquarters is located in Istanbul. The Bank has employed a staff force of 50 (FY2016: 44). The Board of Nurol Bank consists of ten members, three of whom are independent members and a general manager. According to Capital Market Board (CMB) principles three of Board Members should be independent and the members of the audit committee of the BoD are accepted as independent members. The Bank has Audit Committee, Corporate Governance Committee, Pricing Committee, Disciplinary and Personnel Committee, Assets and Liabilities Committee, Credit Risk Committee, Information Systems Strategy

Committee under the BoD and also 2 chief assistant general managers, 5 assistant general managers.

c. Shareholders, Subsidiaries

The main shareholder of Nurol Bank is Nurol Holding A.Ş., which holds 78.16% of total shares. Nurol Holding A.Ş., although set up in 1989; trace back to the establishment of its flagship company Nurol İnşaat ve Ticaret A.Ş in 1966.

The table below indicates the detailed shareholding structure of the Bank in FYE2017-16. Nurol Bank has not accepted a registered capital system.

Shareholders Structure	2017		2016	
	Share Amount	Share %	Share Amount	Share %
Nurol Holding A.Ş.	97,697	78.1578	35,171	78.1578
Nurol İnş ve Tic A.Ş.	19,950	15.96	7,182	15.96
Nurol Otelcilik ve Tur İşl. A.Ş.	1,103	0.8822	397	0.8822
Nurettin Çarmıklı	1,111	0.8889	400	0.8889
Erol Çarmıklı	1,111	0.8889	400	0.8889
Mehmet Oğuz Çarmıklı	1,111	0.8889	400	0.8889
Eyüp Sabri Çarmıklı	972	0.7778	350	0.7778
Oğuzhan Çarmıklı	972	0.7778	350	0.7778
Gürol Çarmıklı	486	0.3889	175	0.3889
Gürhan Çarmıklı	486	0.3889	175	0.3889
Paid Capital (000 TRY)	**125,000**	**100.00**	**45,000**	**100.00**

Nurol Holding had a staff force of 11,486 in 2016 and currently carries out activities mainly in construction and contracting sectors and in defence, manufacturing industry, real estate investment, energy, tourism, mining, finance, trade and service sectors with approximately 40 subsidiaries, affiliates, branch offices and project partnerships within the country and abroad.

Nurol Holding's total assets increased by TRY2.19bn to TRY11.39bn while total equity was around TRY2.04bn. in FYE2016 (FYE2015: TRY1.60bn). Additionally, the Group's sales revenue reached TRY3.87bn. in FYE2016. 63.78% of total revenue is mainly driven by construction sector in the same period. The table below indicates the detailed Nurol Holding A.Ş.'s main engaged sectors. As JCR Eurasia Rating has not analysed the independent risk level of each of these companies, no opinion regarding their creditworthiness has been formed

Nurol Holding A.Ş.'s Engaged Sectors
Construction and Contracting
Nurol İnşaat ve Tic. A.Ş.
Nurol Gayrimenkul Yatırım Ort. A.Ş.
Otoyol Yatırım ve İşletme A.Ş.
Defence and Production
Nurol Makina ve Sanayi A.Ş.
Nurol Teknoloji San. ve Mad. Tic. A.Ş.
FNSS Savunma Sistemleri A.Ş.
Financial Services
Nurol Yatırım Bankası A.Ş.
Nurol Sigorta Aracılık Hizmetleri A.Ş.
Commercial and Services
Nurol İşletme ve Gayrimenkul Yönetim A.Ş.
Botim İşletme Yönetim ve Tic. A.Ş.
Energy and Mining Sector
TÜMAD Madencilik San. ve Tic. A.Ş.
Nurol Enerji Üretim ve Pazarlama A.Ş.
Nurol Göksu Elektrik Üretim A.Ş.
Enova Enerji Üretim A.Ş.
Tourism
Turser Turizm Serv. ve Tic. A.Ş.
Bosfor Turizm İşletmecilik A.Ş.
Nurol Kulüp Salima Tatil Köyü ve Turizm İşletmeleri A. Ş.
Sheraton Batumi Otel

The following table shows the current shareholder structure of Nurol Holding A.Ş. as of December,2017.

Shareholders Structure	2017 (TRY)	Share %
Nurettin Çarmıklı	258,454,800	0.3330603
Erol Çarmıklı	258,454,800	0.3330603
Mehmet Oğuz Çarmıklı	258,454,800	0.3330603
Eyüp Sabri Çarmıklı	93,030	0.0001199
Gaye Çarmıklı	93,030	0.0001199
Gürol Çarmıklı	62,020	0.0000799
Gürhan Çarmıklı	62,020	0.0000799
Gözde Çarmıklı	62,020	0.0000799
Eda Çarmıklı Yolcu	62,020	0.0000799
S. Ceyda Çarmıklı	62,020	0.0000799
Oğuzhan Çarmıklı	62,020	0.0000799
Aynur Türkan Çarmıklı	38,710	0.0000499
Müjgan Sevgi Kayaalp	22,408	0.0000289
Melih Kayaalp	8,151	0.0000105
Semih Kayaalp	8,151	0.0000105
Paid Capital (000 TRY)	**776,000,000**	**100**

d. Corporate Governance

Nurol Bank carries out its operations under Banking Law and the Banking Regulation and Supervision Authority (BRSA) regulations. The Bank mostly complies with the Communiqué on Corporate Governance Principles of Banks' published on November 1, 2006 by BRSA. The Bank has fulfilled its obligations with respect to compliance with Corporate Governance Practices as demonstrated by high standards of public disclosure and transparency in its website, exercise of shareholders' rights, Board composition, skill and experience of members, number of established committees along with practice of stakeholder rights. The Bank provides information about its mission, vision, Board of Directors, Committees under the BoD, ethical rules, and corporate values on its website and disclosed documentation in terms of transparency such as shareholder structure, periodic audit and financial reports, articles of association, general meeting documents, compliance report with the principles of corporate governance, corporate governance policy.

Nurol Bank has a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with expressing the issues that may originate stemming from non-compliance and submitting reformative activity to its Board of Directors. In this regard, the compliance level of the Bank is satisfactory. The Bank revises the articles of association and other internal regulations as deemed necessary. Moreover, the Bank has an Investor Relations Department.

The Bank's Board is composed of ten members and qualifications of the members meet the terms expressed in the principles. As can be seen in the resumes found on the Bank's website, the members possess the necessary qualifications in terms of education, professional and managerial experience. According to Capital Market Board (CMB) principles, three of Board Members should be independent and the members of the audit committee of the BoD are accepted as independent members.

Accordingly, Nurol Bank has sustained a high compliance level with the corporate governance principles with the BRSA and CMB regarding the efficient and comprehensive system of public disclosure and its website together serving as an effective platform in supporting the transparency level, the exercise of shareholders' rights, qualifications of the Board members, the Board structure, and formed Committees under the Board along with comprehensive risk management system and exercises.

5. Sector Analysis

The banking sector is the largest component of the Turkish financial system. Any developments that may occur in the banking sector create real impact in terms of the corporate sector and the financial stability of Turkey's economy.

The Turkish banking sector, regulated by the Banking Regulation and Supervision Agency (BRSA), is comprised of deposit banks, development and investment banks, and participation banks which operate on the basis of dividends in the frame of Islamic rules. The asset size of the banking sector, was 864 Billion Dollars (3.257 Billion TRY), the largest share in the Turkish financial system, by the end of 2017.

Summary of Key Indicators of the Turkish Banking Sector

(000,000)	2017	2016	2015	2014
Asset Size – TL	3,257,819	2,731,016	2,357,387	1,994,263
Asset Size – USD	863,708	799,150	807,850	857,047
Equity – TL	359,091	300,264	262,214	231,941
Profit – TL	49,122	37,530	26,052	24,610
ROAE %	18.62	16.81	13.39	14.81
ROAA %	2.05	1.86	1.52	1.69
NPL %	2.95	3.24	3.09	2.85
CAR %	16.87	15.57	15.56	16.28
Equity / T. Assets %	11.02	10.99	11.12	11.63

The wealth/GDP ratio in Turkey is at a level close to the average for developing countries and lower than that of developed countries. Therefore, the growth potential of the Turkish banking sector is high.

Although the Turkish banking sector achieved an increase of 30.89% in profitability in absolute terms in 2017 compared to the previous year, the profitability performance of the US dollar was 18.59% due to the depreciation of the TRY.

Macro-prudential measures taken against credit cards and consumer loans aiming to curb the current account deficit forced changes in the business model and competition level of the banking sector. However, new regulations enacted in 2016 have relaxed.

The financial strength of the banking sector in Turkey to support economic activity and growth has been partially hampered by the losses in value of the TRY in 2017. However, access to foreign funding continues to be strong. International borrowing costs has increased in anticipation of monetary tightening measures taken by the Federal Reserve (the Fed). However, this trend is counterbalanced by expansionary monetary policies in the Eurozone and Far Eastern markets. In fact, the monetary policy of the European Central Bank will continue to contribute to the Turkish banking sector in terms of funding costs in 2018.

Despite ongoing geopolitical risks, banks in Turkey do not suffer from refinancing risks. In addition, the Turkish banking sector is able to sustain its long-term expansion and increase its credit volume owing to its high capital adequacy due to the double buffer of banks in Turkey in terms of CAR. Therefore, we evaluate the outlook of the Turkish banking sector as stable.

The sector continued to maintain its positive position in 2017 in terms of high profitability, high deposit share, high interest expenditures, high capital ratio, high inflation, and high real growth. However, the continuation of the growth rate in 2018 depends on the stability of the local currency.

Fifty-two banks operated in the Turkish banking sector as of 2017. Internet, ATM, and POS investments continue to increase in order to facilitate access to banking services more effective. The concentration of assets, credits, and deposits in the sector is quite high. In all three areas, the share of the top five banks is close to 60%.

The share of non-residents in the equity structure of the sector is also quite high.

Key Numbers Turkish banking sector (*)		Deposit Banks (*)	Development % Investment Banks (*)	Participation Banks (**)	Total
Number Of banks	State Banks	3	3	2	**8**
	Private Banks	9	6		**15**
	SDIF Bank		1		**1**
	Foreign Banks	16	4	3	**23**
	Foreign Banks Branches		5		**5**
	Total	**28**	**19**	**5**	**52**
Number of Branches	State Banks	3.697	30	127	**3.854**
	Private Banks	4.077	15		**4.092**
	SDIF Bank		1		**1**
	Foreign Banks	2.827	4	907	**3.738**
	Foreign Banks Branches		7		**7**
	Total	**10.061**	**57**	**1.034**	**11.692**
Number of Staff	State Banks	58.330	**3.636**	1.669	**63.635**
	Private Banks	73.684	**1.388**		**75.072**
	SDIF Bank		**232**		**232**
	Foreign Banks	57.389	**200**	13.453	**71.042**
	Foreign Banks Branches		**205**		**205**
	Total	**189.403**	**5.661**	**15.122**	**210.186**

(*) As of September 30, 2017.
(**) As of December, 31,2017

The legal framework of the Turkish banking sector, which is in compliance with the main framework of EU legislation with the exception of provisions concerning foreign branches and deposit guarantees, has been shaped in accordance with the criteria of consolidation of integration with global economies, the Basel process, and the Capital Requirements Directive (CRD). In this context, in December 2016 the European Commission accepted that both the control and the regulatory framework of Turkish banking system were largely compatible and equivalent to the EU regime. This high equivalence was considered to have originated from the further implementation of Basel III in Turkish legislation. In terms of risk management, the Turkish banking sector is capable of managing its pricing and balance sheet balances according to international norms.

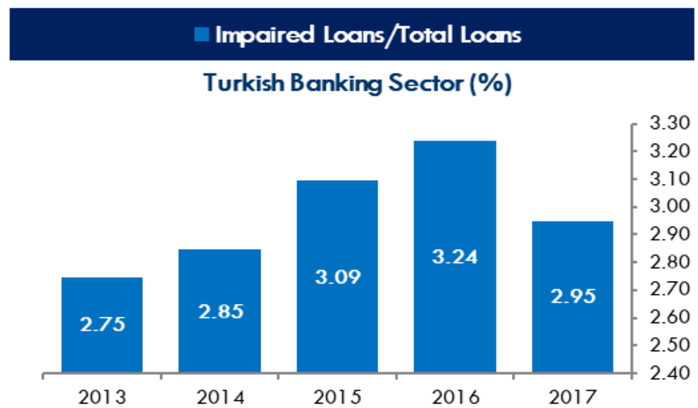
The banking sector is affected notably by national and international regulations, constantly changing customer demands, developing technology, and social and political structure changes. With this open interaction, it is expected that the agenda of the banks will become more and more occupied with basic subjects such as capital, liquidity, profitability, cost management, and digitalization in internal processes. Particularly in 2018, digitalization for efficiency in cost and competition management will remain essential.

Formed with a flexible infrastructure in response to the continually changing demands of credit and deposit customers and investors, the Turkish banking sector has a highly dynamic structure in the formation of products and services. The deepening of capital markets along with the strong capital structure of the banking sector will continue in 2018 as an advantage in deposit collection and domestic and international borrowing.

The Turkish banking sector will intensify its structuring and growth strategies so as to push towards optimal levels. While innovative approaches to branching are commonplace, the importance of multi-branching in alternative channels is still prevalent in Turkey. The elasticity coefficients of the Turkish banking sector against lending capacity, interest volatility, and regulatory pressures are well above the global optimum levels. Legal regulations increase the resistance of banks to crises, simultaneously creating downward pressure on efficiency and profitability. However, financial innovations created at the national and global level can significantly eliminate the negative effects of regulatory constraints.

While banks mainly provide deposit-based financing, the use of alternative sources is also increasing. In developed countries, banks' foreign liabilities have increased in recent years due to the increasing funding opportunities parallel to the expansion of the quantities. The external debt restructuring rate of the banking sector is above 100 percent and the fact that the funds provided from abroad are long-term contributes to the extension of the average maturity of the liabilities. Banks' securities issuances continue to grow with a growing momentum.

The ratio of impaired loans to equity was 12.87% in 2012, 15.27% in 2013, 15.69% in 2014, 18.13% in 2015, 19.35% in 2016, and 17.80% in 2017. In 2017, impaired loans rose by 10.05% in nominal terms & receivables and the NPL ratio compared to the previous year decreased mathematically due to the fact that the nominal rate of increase in total loans (20.80%) was higher than the increase in the NPL. As of 2017, the impairment rate was 2.95%. However, there is no statistical data about the amount of firm-specific special applications in restructuring and payment difficulties. In any case, it is clear that such treatments help contain the sector's NPL ratio.



As of the end of 2012, the capital adequacy ratio of the sector increased from 17.90% to 15.30% at the end of 2013, 16.30% at the end of 2014, 15.56% at the end of 2015, 15.57% in 2016, and 16.87% in 2017. The fact that while 83.46% of equity is composed of core capital shows that the industry maintains a high-quality equity structure, this is a decrease from the past ratio of 90%.

In 2016 and 2017, as in 2015, the banking sector fundamentally funded its asset growth from loans and required reserves through an increase in deposits, equity, issued securities, and borrowings.

Market Share %	2013	2014	2015	2016	2017
Participation Banks	5.55	5.23	5.10	4.87	4.92
Development & Investment Banks	4.05	4.24	4.52	5.23	5.37
Deposit Banks	90.41	90.53	90.37	89.91	89.71
Sector	**100**	**100**	**100**	**100**	**100**

As of the end of 2017, 89.71% of the banking sector assets were comprised of deposit banks, whereas 4.92% and 5.37% stemmed from participation banks development and investment banks, respectively. After the global crisis in 2009, the Turkish banking sector started to continuously grow. In the last 5 years, the sector reached a very high cumulative rate of 137.67%.

On the basis of the US dollars, the Turkish banking sector grew by 12.01% cumulatively, between 2013 and2017. For the last two years, the Turkish banking sector shrank in dollar terms due to the depreciation of the TRY.

In 2017, development and investment banks sustained the most growth at 22.55%. The annual growth rate of participation banks was 20.52% and the growth rate of deposit banks was 19.03%, year on year.

The sector's growth was 19.29% in 2017, foreign currency resources by 22.21%, and TRY resources by 16.82%. On the asset side, foreign currency assets grew by 14.85% while TRY assets performed 22.26%.

In terms of contributing to growth in resources, foreign currency deposits were ranked first, followed by TRY deposits and borrowing from banks, respectively. TRY loans contributed the most growth among assets, followed by foreign currency loans and statutory reserves.

The share of deposits in total resources has decreased from 61.9% in 2005, to 53.23% in 2016, and 52.52% in 2017, while the basic funding balance within banking resources is still deposits.

In the sector as a whole the share of equity in the balance sheet declined from 13.17% in 2012 to 11.19% in 2013, 11.64% in 2014, 11.12% in 2015, and 10.99% in 2016. As of 2017, the ratio was 11.02%. Participation banks have the lowest equity / total resources ratio in the sector. On the other hand, despite the fact that development and investment banking has lost its attractiveness in developed countries due to the worsening equity balance of assets, Turkey still maintains its high capital and high capital ratios and continues its attractiveness.

In terms of assets, the weight of the securities in the Turkish banking sector decreased gradually to 11.85%. Loans increased from 38.93% in 2005 to 64.40% at the end of 2017. The highest increase among the assets due to the CBRT's reserve ratios within macroeconomic policies has been challenged in the item of statutory reserved items. Provisions constituting 3.68% of assets in 2005 accounted for 6.96% of assets at the end of 2017. While there was previously a desire to slow down credit growth as the basis for raising the allowance rates, in 2017 the main purpose was preserving the liquidity opportunities in the market.

As can be seen in the composition of the sector's balance sheet, 64.95% of assets are composed of Loans and Leasing Receivables and 11.85% of government securities-weighted securities. While the share of the securities within the balance sheet has decreased, the share of the loans increased.

Despite the fact that the Turkish banking sector has generally started to show a downward trend in its profitability indicators, the current relatively high levels continued in 2017 as well. The funding structure of the sector is dominated by deposits, necessitating more branching and operating expenses, which in turn causes downward reflection on the sector's profitability. On the other hand, the banks fully reflect the expected loss rates in the lending process to interest margins on prudential principles. This weakens the return on assets. The high level of non-interest expenses indicates that banks might still need to increase their operational efficiency.

The sector achieved an asset return of 2.05% and an equity return of 18.61%. One of the reasons for the high profitability in 2017 is the increase in growth rate in loans.

Profitability Margins %	2013	2014	2015	2016	2017
Interest Margin	4.02	3.80	3.85	3.91	4.15
ROAA	2.01	1.69	1.52	1.86	2.05
ROAE	16.59	14.79	13.38	16.81	18.61
Net Profit Margin	25.91	25.75	22.59	27.97	32.48
Provision Expenses / Revenues	19.81	21.74	21.38	22.84	21.24

Funding costs have increased throughout the country, but the high level of interest margins generated by the banking sector has not yet been negatively affected. Moreover, the net interest margin, which was 3.85% in 2015, rose to 3.91% in 2016 and 4.15% in 2017. However, the provision for expenses continues to bear negative pressures on the balance sheet.

Net interest income is the main income, and the sector cannot diversify its income sufficiently. Within the components of the net interest margin, the marginal impact of provisioning costs appears to be greater than in the EU countries. The main income of the Turkish banking sector is interest income, constituting 74.98% of the total income as of the end of 2017.

The ratio of primary expenditures to total incomes is lower than in EU countries.

Moreover, the fact that the return on equity of the Turkish banking sector could be lower than that of public debt paper or interest paid to deposits in certain periods, accounting for the risk adjusted returns, is a basic indicator that the Turkish banking sector remains below the potential scale.

The ratio of 'Total Foreign Currency Position / Assets' to 'Total Foreign Currency Position / Equities', which are the main indicators of the net foreign exchange position risk of the sector, stood at 0.07% and 0.60% at the end of 2017, respectively, and these figures are deemed low. Therefore, the effect of the foreign currency position risk on the income generation of the sector is quite narrow. However, the closing of off-balance sheet open positions by off-balance sheet hedging increased the risk of renewal and counterparties of the Turkish banking sector.

There is no liquidity shortage in almost any maturity on balance sheet transactions. The highest liquidity surplus, due to the increase in the allowance rates, occurred in the maturity zone up to 7 days and at the same time at the annual level. In off-balance sheet transactions, the liquidity is in the open for almost every maturity. However, there is a liquidity surplus of the Turkish banking system in net positive total as the sector is working with a high liquidity asset composition structure.

As of 2017, the banking sector financed 52.52% of its assets with deposits and/or participation funds. Although the long-term deposits are encouraged by creating tax differences starting from 2013, the average deposit of 74 days in 2012 was 72.77 days in 2014, 84.80 in 2015, 72.27 in 2016, and 71.06 in 2017.

The sector's Loan Risks, Market Risks and Operational Risks are measured in parallel with internal methods and BRSA regulations. Independent external rating agencies have not yet been involved in the measurement of these risks, notably credit risks. According to the BRSA data, 90.23% of the total risks is comprised of credit risk while 7.41% corresponded to operational risks and 2.36% to market risk. The total amount of risk is 2,241,482 million TRY.

The Turkish banking sector generally covers the on-balance sheet foreign currency short position with an off-balance sheet foreign currency long position. The net foreign currency net general position of the sector has stood at low levels for many years.

The capital adequacy ratio is calculated according to Basel II rules. For many years, the CAR maintained its high level. As of 2017, the CAR was 16.87%. Despite high profitability and capital adequacy ratios in the Turkish banking sector in 2017 and the high level of doubtful receivables transferred to restructuring and asset management companies, the increase in the conversion rate of the assets to impaired receivable class could not be prevented. The reason for this trend is the deterioration of the borrowers' balance sheets in the wake of significant foreign currency rate increases.

Considering the possible increases in interest expenses, high level of loan-to-deposit ratio and problems to generate extra resources may lead to a slowdown in loan growth and yield to a drawback in profitability in the future.

Although the increase of the risk premium of Turkey led to an increase in the costs of syndication loans from abroad, we, as JCR Eurasia Rating, do not expect any distortion in debt conversion capacity of the sector. The sector has high agility level and financial and executional power of the sector is more than enough to absorb any external shock and sustain growth performance.

The good structure of equity, profitability level, and asset quality facilitate the loan supply and financing of the real sector companies. Although we expect that the resource costs will continue to be high and interest margin of the banks will squeeze in 2018, sector outlook has been determined as Stable.

The weakness of national saving tendency and power, the high level of foreign debt and liabilities, the possible effects of political actions on short positions, the failure of the country to exit from the middle-income trap, the high share of commercial loans, high resource expenses, and the large underground economy are factors that weaken the Turkish banking sector.

On the other hand, the continuation of the interest of reputable global investors, strong experienced managerial structure, high integration efficiency with world economies, high liquidity, good quality capital structure, and easy access to international funds are positive features defining the Turkish banking sector.

2017 saw a growth of approximately 21% principally based on Credit Guarantee Fund (CGF) loans. This growth on loans also affected the profit performance of the sector in a positive way. Deposit interest rates will also continue to rise in 2018, supported by the CGF.

The weak demand for loans towards construction sector and investment-purpose-mortgage-loans will result in diminished crediting for these loans. In 2018, we expect that an incentive scheme will be put forward for these loans, such as the CGF.

Due to increased loan volume, deposit rates have increased. Moreover, swap interest rates remain high due to the deterioration in risk perception in the market and volatility. Market rates, swap interest rates, and rising inflation are expected to push up deposit costs.

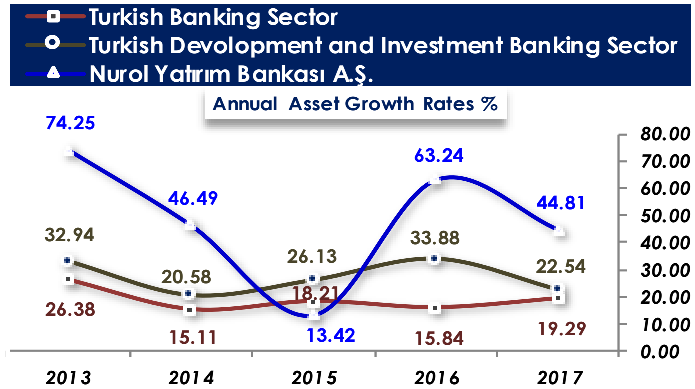
On the other hand, despite the high dependence of Turkish banks on foreign borrowing, it is sufficient that foreign currency liquidity meets short-term foreign currency denominated debts. High sensitivity of FX rates by the exposure to political fluctuations, the country's long-lasting geopolitical risks, negative expectations and the decline of the EU accession process, the private sector's high foreign exchange borrowing and the depreciation of the Turkish Lira threatening asset quality of the sector and the fact that the credits of the construction sector are among the high-risk assets are also the factors that cause the Turkish banking sector to blink negative signals.

6. Financial Analysis

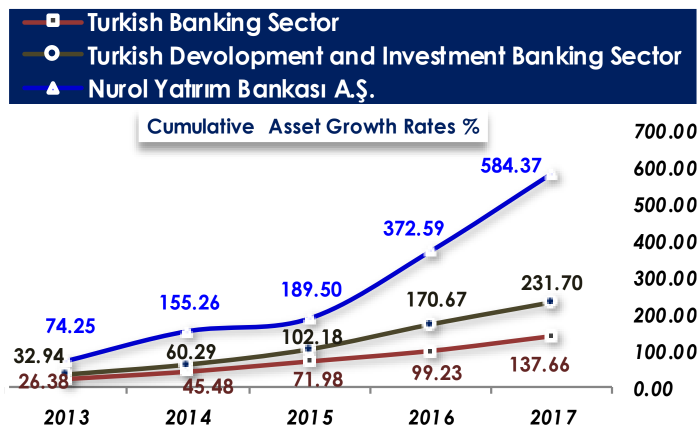
a) Financial Indicators & Performance

i. Indices Relating to Size

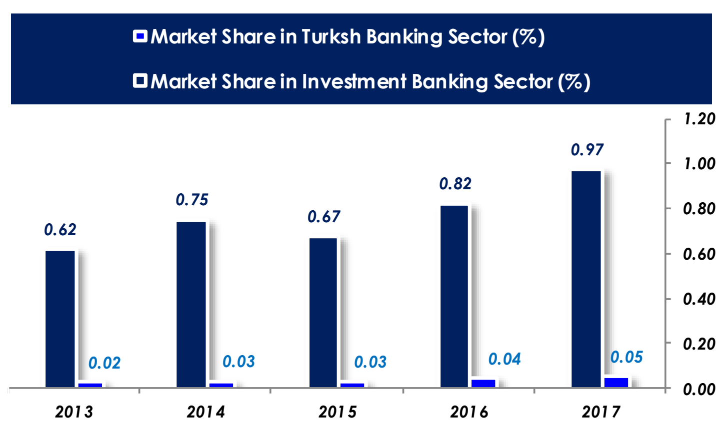
While Turkish Banking Sector and the Turkish Development and Investment Banking Sector recorded growths of 19.29% and 22.54%, respectively, The Bank's asset base expanded 44.81% y-o-y, to TRY1.7bn. as of December 31, 2017, reflective of a booming growth in liabilities during the period. The Bank's cumulative asset-based growth performance over the last five years was 584.37% and remained above the sector averages. The graph below presents the growth of the Bank's asset base in comparison to the sector.



Annual asset-based growth performance of the Nurol Bank remained above the average growth performance of the Turkish Banking Sector and the Turkish Development and Investment Banking Sector over in the last two consecutive years. Additionally, based on the consolidated 2017 year-end IFRS financial statements, assets, equity and loans increased by 44.84%, 32.54% and 43.34%, respectively.

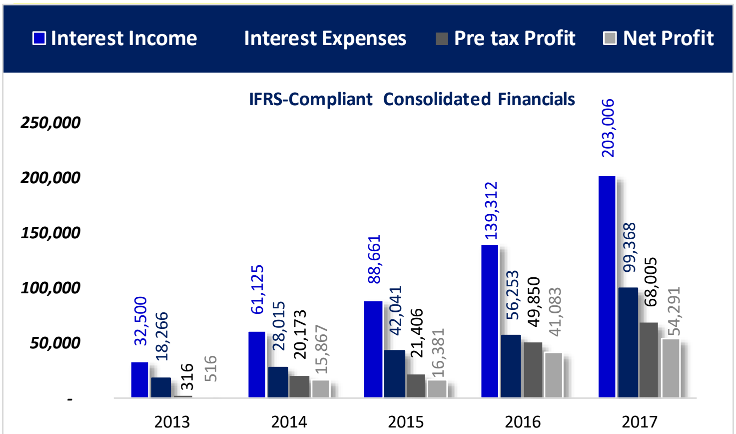


The Bank's asset size market shares figures, with regard to both Development & Investment banks and the entire Turkish Banking Sector, demonstrate a decrease and standing at 0.97% and 0.05%, respectively as of December 31, 2017.

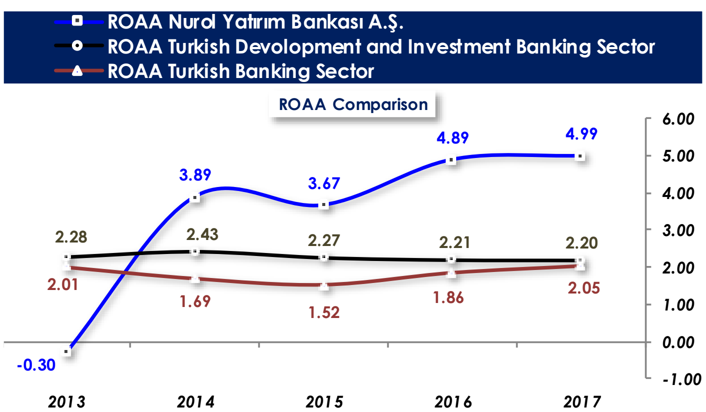


ii. Indices Relating to Profitability

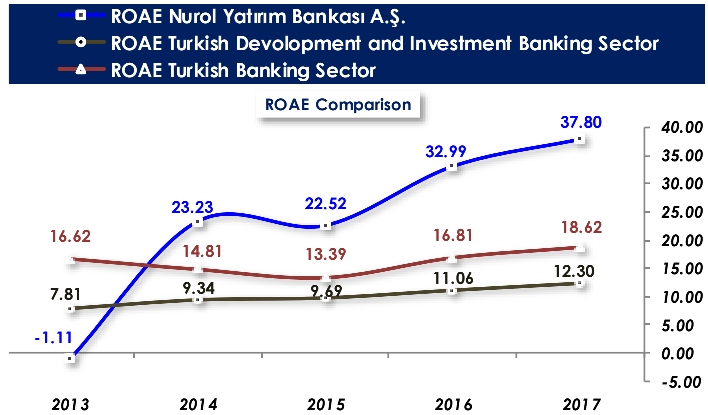
At FYE2017, the Bank's BRSA-solo based net profit was TRY 57.50mn and increased by 55.38% compared to the previous year's profit of TRY 37.mn. In the same period, the Turkish Development and Investment Banking Sector's net profit increased by 32% on a YoY basis. The notably increase in the Bank's net profit base was derived from net interest income growth.



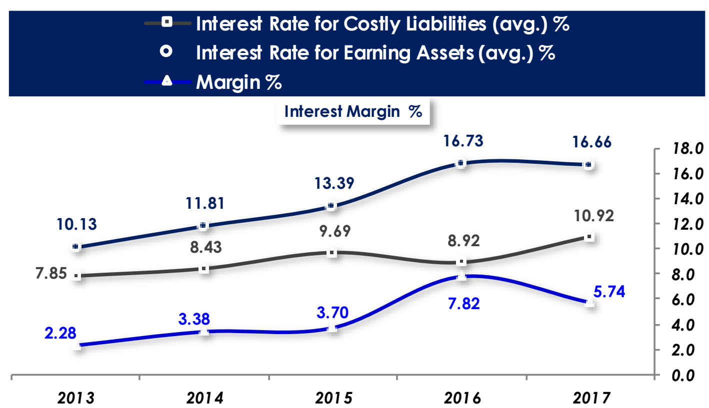
The return on average equity (ROAA) ratio of Nurol Bank increased to 4.99% in FY2017 from 4.89% in FYE2017 and outperformed the Turkish Banking Sector and the Turkish Development and Investment Banking Sector averages of 2.05% and 2.20%, respectively during FY2017.



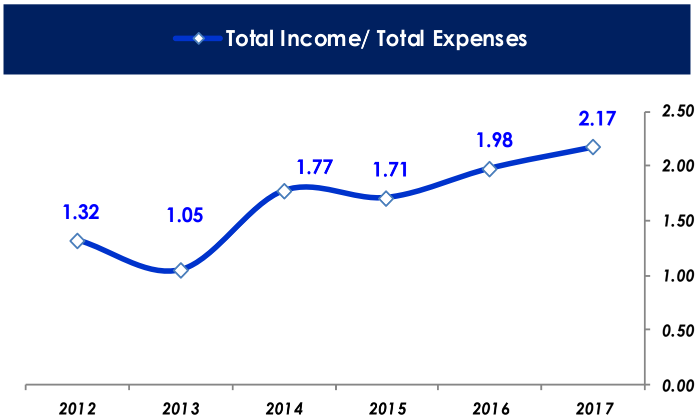
In line with the sound growth in profit, Nurol Bank's ROAE ratios exhibited a notable increase to 37.80% in FYE2017 from 32.99% FYE2016. At FYE2017, the Bank's solo based net profit materialized at TRY57.50mn with a solid growth of 180.57% YoY and outperformed Turkish Banking Sector and the Turkish Development and Investment Banking Sector averages. Over the reviewed period, the Bank's ROAA and ROAE ratios moved almost in line with the sector averages and exhibited remarkable improvement in the four two consecutive years in particular.



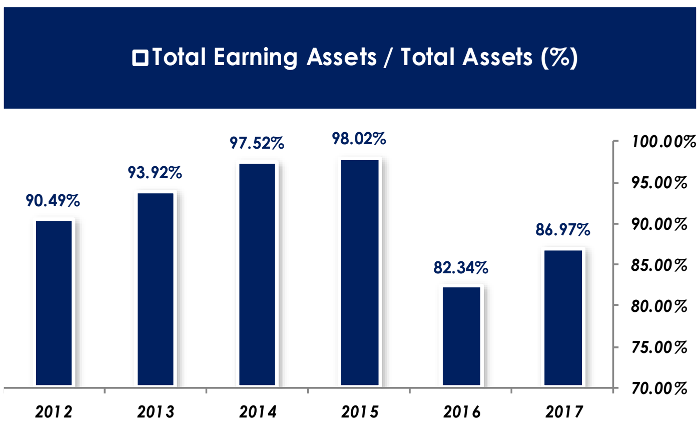
In FYE2017, Net Interest Income (NII), which accounted for 75.44% (FYE2016: 77.97%) of total income constituted the main source of the Bank's total income generation. The Bank's net interest income increased by 24.78% from TRY 83.06mn in FYE2017 to TRY103.64mn in FYE2016 and the net fee & commission income decreased by 30.78% on a YoY basis, despite the increases in loans by 43.34%. Consequently, net interest income and net fee & commission income together constituted 82.58% of its total income. Nurol Bank's net interest margin remained well above the sector average over the reviewed period thanks to portfolio structure.



The Bank's operating expenses to average total assets ratio decreased to 4.42% at FYE2017 from 5.72% at FYE2017. The Bank's total income to total expenses ratio was 217.05% at FYE2017 and was up from the previous year's figure of 197.63%. This growth was fueled by a larger increase in net interest income and net fee & commission income.

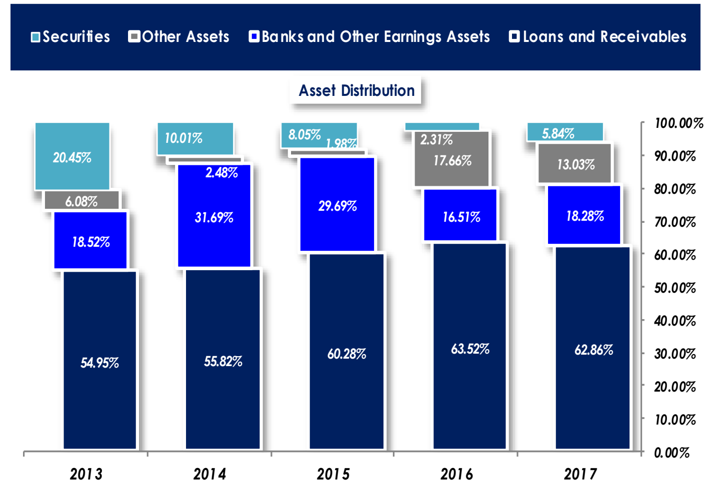


b) Asset Quality

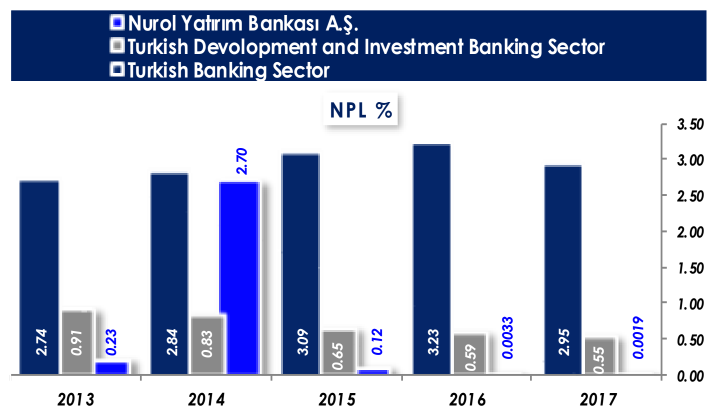


The earning assets of the Bank accounted for 86.97% of its total assets, tying the asset quality directly into the quality of the receivable portfolio. Due to nature of the activities, extended loans constituted the largest share in the Bank's total asset dispersal with an above sector average (64.95%) rate of 86.97% at FYE2017. The loans-weighted asset structure exhibits the efficiency of the Bank's financial intermediary function.

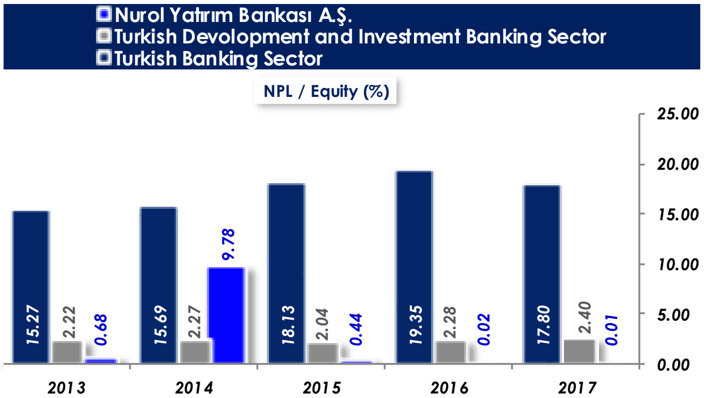
Categories of asset profile of the Bank has not significantly change over the years and its asset base was principally composed of loan books. Nurol Bank's loan book extended 43.34% in FYE2017, (Turkish Banking Sector: 20.80%, Development & Investment Banking Sector: 30.64%). Higher loan exposure provides greater advantages than fixed rate secure instruments in growing economies.



At FYE2017, the Nurol Bank's non-performing loans book stood at TRY 3.27mn. on IFRS basis. The Bank's non-performing loans portfolio which are transferred to an asset management company asset amounted to TRY 9.05mn at the end of FY2015. The Bank has made a provision amounting to TRY2.26mn. to the unsecured portion of this receivable while TRY6.73mn of this receivable is accounted under other receivables.



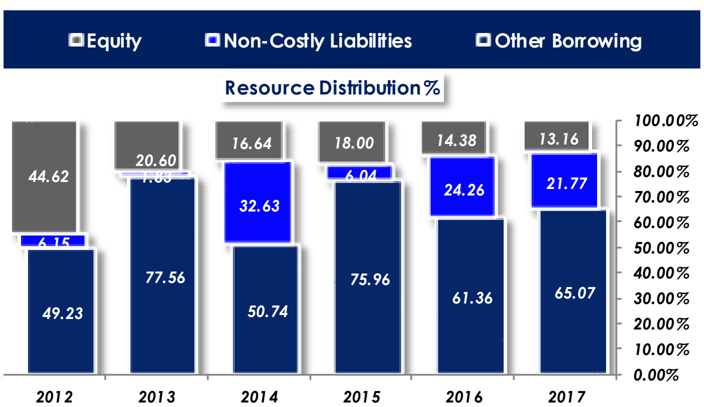
The doubtful receivable stock of the Bank accounted for 0.01% of the equity, while Turkish Development and Investment Banking Sector's averaged at 2.40%. However, as the doubtful receivables are covered with provisions to a great extent, the impact on the equity is thought to be insignificant as of December 31, 2017.



In addition, 86.35% (FYE2016: 95.73%) of cash loans and 50.69% (FYE2016: 52.87 %) of non-cash loans were unsecured in FYE2017. Collaterals of secured loans were mainly composed of mortgages, customer cheques and 3rd party guarantees.

c. Funding & Adequacy of Capital

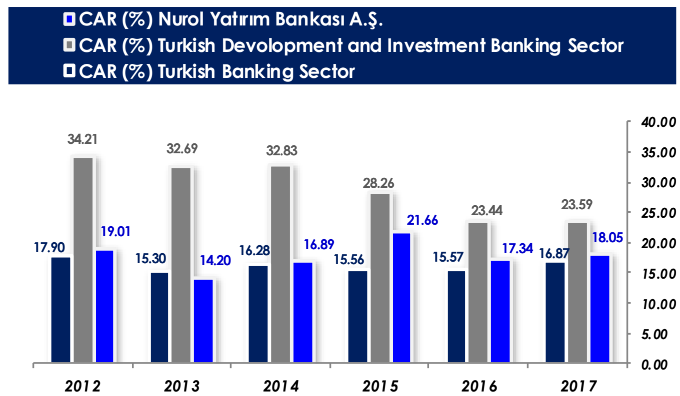
Development and Investment Banks are not entitled to collect customer deposits. Therefore, their funding sources are principally composed of equity, loans from domestic institutions and debt securities issues, current balances of its loan customers as well as obligations under repurchase agreements. The Bank's funding sources exhibited an alteration in the last three consecutive years. The Bank's ability to access alternative funding sources such as funds borrowed from overseas financial markets and bond issues increased.



The share of other borrowings from domestic and international markets among total funding sources was at 65.07% in FYE2017 (FYE2016: 61.36%) for Nurol Bank compared to the sector's 60.07% in FYE2017 (FYE2016: 57.43%). Obligations under repurchase agreements accounts for 11% of total liabilities in FYE2017. The Bank issued USD10mn. Eurobond as of March 31, 2016 and received loans from World Business Capital at an amount of USD 5mn. as of December 27, 2016, as subordinated debt which is accounted as Tier 2 Capital.

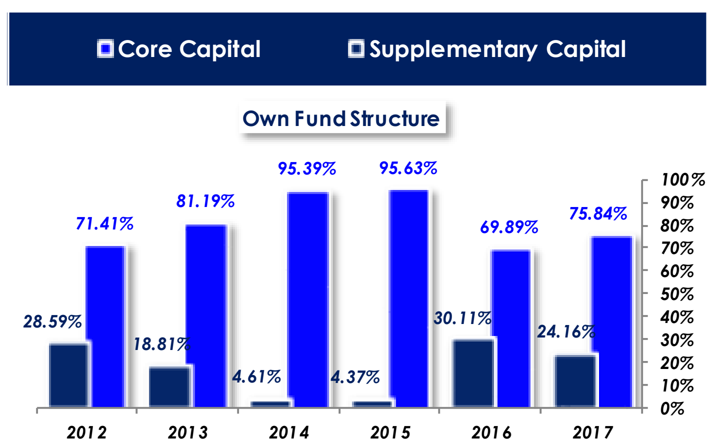
Additionally, the Bank's paid-up capital was increased to TRY125mn. from TRY45mn. through internal sources as of August 10, 2017. TRY6.48mn of the capital increase has been covered by capital reserves.

In FYE2017, Nurolbank's unconsolidated Capital Adequacy Ratio was 18.05%, up from the previous year's ratio of 17.34%, additionally remained above the minimum CAR requirements set by the Basel Accord (8%) and recommended by the BRSA (12%). On the other hand, the Bank's CAR ratios stayed above the average of the Turkish Banking Sector since FYE2014 and below the average of the Turkish Development and Investment Banking Sector since FYE2012.



Nurol Bank has also remained compliant with the minimum requirements of Common Equity Tier 1 Capital Ratio (4.5%) and Tier 1 Capital Ratio (6%) set by the BRSA, with figures of 13.69% (FYE2016: 12.12%) and 13.72% (FYE2016: 12.16%), respectively.

According to the audited IFRS report, Nurol' s Tier1 capital, principally consisting of paid-up capital, profit and legal reserves increased to TRY219.20mn. in FYE2016 from to TRY 155.85mn as of FYE2016, displaying sufficient capital quality.



The share of core capital increased to 75.84% in FYE2017 from 69.89% in FYE2016 thanks to sufficient levels of paid-up capital and retained earnings. Accordingly, we, as JCR Eurasia Rating, assume that the current CAR ratio offers a reasonable shield against potential incidental losses.

7. Risk Profile & Management

a. Risk Management Organization & Its Function – General Information

Nurolbank is principally exposed to Credit, Market, Liquidity and Operational risks stemming from the nature of its operations and utilization of financial instruments. Risks are executed under the effective risk management framework and principals in line with regulations and the Bank's risk appetite, strategy, and activities. The Bank's risk management system embraces all processes of decision-making, executing, monitoring, controlling, and auditing activities and includes the bodies of the Board of Directors, Senior Management, Internal Systems Units, and Committees established by the Board of Directors within Risk Management System and Committees established by the Senior Management within the Risk Management System. The Bank has set up Audit Committee, Corporate Governance Committee, Pricing Committee, Disciplinary and Personnel Committee, Assets and Liabilities Committee, Credit Risk Committee, Information Systems Strategy Committee under the BoD.

In order to maintain a thorough and complete risk management system, an Anti-Fraud Monitoring Committee, Sustainability Committee, Internal Control Unit and departments of Risk Management, Internal Audit, Anti- Fraud Monitoring and Compliance were also set up for further surveillance. The Bank's Risk Management Department carries out activities regarding the measurement, monitoring, control and reporting of the risks which are identified in line with relevant implementation principles and risk management policies and procedures approved and periodically reviewed by the Board. Analyses, simulations, scenarios, stress tests and the Internal Capital Adequacy Assessment Process (ICAAP) report, as being part of the risk management, provide a key role in the strategic decisions taken by the senior management of the Bank.

b. Credit Risk

The Bank's credit risk management policy is initially set on three pillars; customer selection, credit allocation and credit pricing for its corporate, commercial and medium sized enterprise loan portfolio, involving statistical methods on historical data to assess its customers based on objective criteria and assigning grades. In this sense, through the guides of comprehensive risk management framework, credit allocation takes place within the limits determined separately for each borrower. the Bank manages its credit Each customer who is engaged in a credit transaction has to be subjected to a credit limit allocated by the Board of Directors.

The Bank continuously monitors customer credit assessments, takes necessary precautions and reviews allocated limits when necessary. In accordance with the lending policies, collaterals such as cash, bank guarantees, mortgages, pledges, cheques & notes and personal or corporate guarantees are required in line with the financial position of the debtor and its creditworthiness.

The Bank granted 98.90% (FYE2016: 93.82%) of its loan book as performing corporate loans and the remaining 0.78% and 0.31 were corporate loans under close monitoring and non-performing corporate loans. On the other hand, 3% and 22% (FYE2016: 6% and 6%) of the Bank's non-cash loans and borrowed funds to total loans directly or indirectly were given to group companies, respectively in FYE2017.

The Bank's (i) largest 10 cash loan customers composed 67.60% (FYE2016: 79.80%) of the total cash loan portfolio as of FYE2017, (ii) largest 10 non-cash loan customers composed 72.20% (FYE2016:59.90%) of the total non-cash loan portfolio as of FYE2017.

Customer Concentration (Cash)	2017	2016
First 10	67.60%	79.8%
First 20	83.90%	95.80%
First 50	100.0%	100.0%

Customer Concentration (Non-Cash)	2017	2016
First 10	48.90%	72.0%
First 20	72.70%	91.90%
First 50	97.60%	98.40%

The following table shows the sectorial cash and non-cash loan book composition of the Bank in FYE2017.

Sectorial Concentration (Cash)	**%**
Industry	3.42
Real Estate (Investment / Rental)	6.46
Services	75.83
Others	14.28
Sectorial Concentration (Non-Cash)	**%**
Industry	15.8
Real Estate (Investment / Rental)	5.89
Services	75.21
Others	3.10

Nurol Bank has exposure to concentration risk where its business activities focus particularly on a similar type of customers and industrial sectors in Turkey. The Bank's regional concentration in loans book increased to 83.01% in FYE2017 from 81.98% in FYE2016.

Nurol is constrained by customer and sector concentrations which are applicable for most banks in Turkey and high related party lending. Although we, as JCR Eurasia Rating, have not assessed the individual risk level of those companies and allocated credits, these credits are presumed to be paid back. The Bank's foreign currency risk exposure complies with BRSA regulations. The Bank's interest rate risk is also limited and risk arising from interest rate fluctuations is monitored on a daily basis and managed by the asset and liability committee.

c. Market Risk

Market risk limits as well as the process, control and early warning limits are identified with the approval of the BoD. Nurok Bank measures its market risk daily through the value at risk (VaR) methodology, related with trading and available-for-sale portfolios. VAR measurements calculated using internal methods, and exchange rate and overall market risks calculated using standard methods, as well as stress tests and scenarios, are analysed within the scope of the market risk and regularly reported by the Risk Management Department to the Senior Management and Audit Committee.

Additionally, The Bank performs and monitors its market risks and takes appropriate and timely actions in accordance with the Communiqué on Measurement and Evaluation of Capital Adequacy of Banks. The Bank calculates and reports general market risk, commodity risk, currency risk, specific risk, clearing risk and counterparty credit risk using the 'Standard Method', in line with the methodology outlined in the regulations of BRSA.

The Bank's foreign currency risk exposure is restricted and complies with BRSA regulations. The Bank was short in USD and Euro long in denominated liabilities. The Bank's gross foreign currency position to assets and equity ratios were -5.31 % and -39.92% (FYE2016: 6.95% and 48.30%), at the end of FYE2017.

d. Liquidity Risk

Treasury and financial institutions department manages liquidity risk in order to take necessary measures in a timely and accurate manner to meet its obligations even in stressed conditions and accomplishes the regulations regarding liquidity implemented by the BRSA. The Bank calculates and follows up the liquidity risk, cash flows, gap analyses, stress tests and scenario analyses which are periodically reported by the Risk Management Department to the Senior Management and Audit Committee.

In addition to the requirement of legal liquidity ratios, by the Assets and Liabilities Committee (ALCO) sets internal liquidity ratios such as liquid assets to total assets and liquid assets to portfolio of issued bank bonds. Risk management unit closely monitors the liquidity conditions under the pre-determined limits.

In overcoming the liquidity risk considering short and long-term liquidity requirements, the Bank has been in an effort to develop alternative funding channels and to diversify its funding sources through instruments such as bond issuances, local and foreign borrowings.

The Bank's liquidity ratios in FYE2017 and FYE2016 are as follows,

Period (Avg.)	First maturity bracket (weekly)		Second maturity bracket (monthly)	
	FC (%)	Total (%)	FC (%)	Total (%)
2017	222	253	113	144
2016	176	238	106	137

As of December 31, 2017, the average Liquidity Coverage Ratios of Nurol Bank on BRSA Solo basis for the average are 124.16% and 27.94%, for respectively.

Within the framework of the Basel III harmonization process, the BRSA published an initial Communiqué (the Regulation on Liquidity Coverage Ratios) dated March 21, 2014 published in the Official Gazette no. 28948 and an amendment Communiqués dated 20 August 2015 and January 20, 2016; February 28,2017 ; July 13, 2017 and latest August 15, 2017 stipulating therein that the Banks must maintain an adequate level of high quality liquid assets (HQLA) on consolidated and unconsolidated bases to meet the net cash outflows. The ratios of the HQLA stock to the net cash outflows have been kept to a minimum of 100% in respect of total consolidated and unconsolidated liquidity and 80% in respect of total consolidated and unconsolidated foreign currency liquidity.

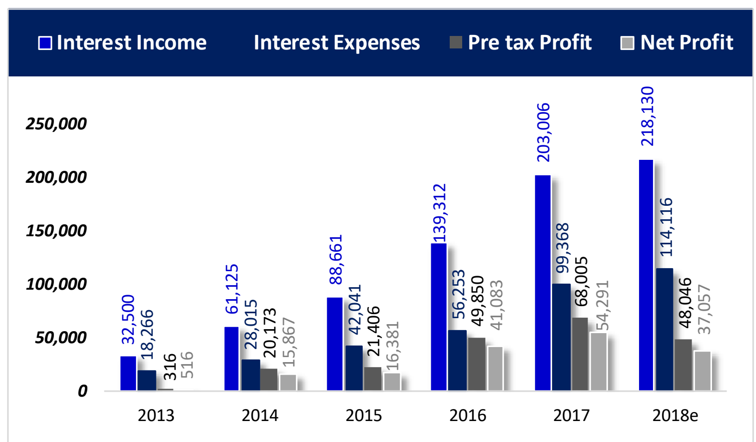
Additionally, each figure above will be increased by ten percent each year up to January 1,2019. Those ratios for 2017 were 80% and 60%. Recent regulations, on August 15, 2017 stipulates that reserves held by the banks in the Central Bank, considered 100% "high quality liquid assets" for the calculation of the liquidity coverage rate. (It is considered 50% before the amendment).

8. Budget & Debt Issue

The estimated budget projection between the years of FYE2018 and FYE2020 submitted by Nurol Bank. Within the framework of projections and budgeting activities developed by the Nurol Bank Management, some of the planned topics are shown in the chart and graph below;

Projections	2018e	2019e	2020e
Assets – 000, TRY (Avg.)	2,035,070	2,237,315	2,489,601
Loans – 000, TRY (Avg.)	1,374,946	1,606,470	1,786,570
Equity – 000, TRY (Avg.)	230,563	284,171	345,659
CAR %	16.52	17.24	18.08
ROA %	3.17	3.14	3.20
ROE %	26.52	24.74	23.04

According to Nurolbank's projections, the Bank's CAR, ROA and ROE are projected to stand at 16.52%, 3.17 and 26.52% in FYE2018. The bank also has projected growths of 9.59%, 14.75% and 14.69%, in asset size, loans and equity base respectively, along with a contraction of 36.84% in profit before tax, on a solo basis, compared to the results of FY2017.



Taking into account past performance of the Bank, JCR-ER is of the opinion that the projections are quite conservative and easily achievable.

Nurol Yatırım Bankası A.Ş. BALANCE SHEET - ASSET (000)	FYE 2017 USD (Converted)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	FYE 2015 TRY (Average)	FYE 2014 TRY (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	As % of 2015 Assets (Original)	FYE 2017 Growth Rate %	FYE 2016 Growth Rate %	FYE 2015 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	**386,694**	**1,473,457**	**1,218,271**	**963,084**	**832,534**	**701,984**	**662,331**	**622,677**	**86.97**	**82.34**	**98.02**	**52.99**	**37.19**	**12.74**
I- LOANS AND LEASING RECEIVABLES (net)	**279,481**	**1,064,933**	**903,926**	**742,918**	**587,315**	**431,711**	**394,084**	**356,456**	**62.86**	**63.52**	**60.28**	**43.34**	**72.09**	**21.11**
a) Short Term Loans	133,248	507,730	371,776	235,822	236,532	237,241	193,863	150,484	29.97	20.16	33.13	115.30	-0.60	57.65
b) Lease Assets	0	0	0	0	4,396	8,792	10,564	12,336	n.a	n.a	1.23	n.a	-100.00	-28.73
c) Medium & Long Term Loans	145,366	553,904	524,357	494,809	338,745	182,681	181,966	181,250	32.69	42.30	25.51	11.94	170.86	0.79
d) Over Due Loans	857	3,267	1,648	28	284	540	7,419	14,298	0.19	0.00	0.08	11,567.86	-94.81	-96.22
e) Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
f) Receivable from Customer due to Brokerage Activities	857	3,267	4,849	6,430	6,099	5,768	2,884	0	0.19	0.55	0.81	-49.19	11.48	n.a
g) Allowance for Loan and Receivables Losses (-)	-849	-3,235	1,297	5,829	1,259	-3,311	-2,612	-1,912	-0.19	0.50	-0.46	-155.50	-276.05	73.17
II- OTHER EARNING ASSETS	**81,258**	**309,627**	**251,394**	**193,161**	**202,901**	**212,640**	**207,485**	**202,330**	**18.28**	**16.51**	**29.69**	**60.29**	**-9.16**	**5.10**
a) Balance With Banks -Time Deposits	6,096	23,230	58,386	93,541	100,073	106,604	107,907	109,210	1.37	8.00	14.89	-75.17	-12.25	-2.39
b) Money Market Placements	8,661	33,000	37,730	42,459	52,406	62,353	73,703	85,053	1.95	3.63	8.71	-22.28	-31.91	-26.69
c) Reserve Deposits at CB (*)	66,501	253,397	155,279	57,161	50,412	43,663	25,640	7,616	14.96	4.89	6.10	343.30	30.91	473.31
d) Balance With CB- Demand Deposits	0	0	0	0	10	20	236	451	n.a	n.a	0.00	n.a	-100.00	-95.57
III- SECURITIES AT FAIR VALUE THROUGH P/L	**25,954**	**98,897**	**62,951**	**27,005**	**42,319**	**57,633**	**60,762**	**63,891**	**5.84**	**2.31**	**8.05**	266.22	-53.14	-9.79
a) Treasury Bills and Government Bonds	25,954	98,897	58,944	18,991	23,253	27,514	33,007	38,499	5.84	1.62	3.84	420.76	-30.98	-28.53
b) Other Investment	0	0	4,007	8,014	19,067	30,119	27,756	25,392	n.a	0.69	4.21	-100.00	-73.39	18.62
c) Repurchase Agreement	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
a) Investments in Associates (Net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
C- NON-EARNING ASSETS	**57,921**	**220,703**	**213,635**	**206,567**	**110,362**	**14,157**	**15,004**	**15,850**	**13.03**	**17.66**	**1.98**	**6.84**	**1,359.12**	**-10.68**
a) Cash and Cash Equivalents	1,637	6,238	3,199	160	160	160	174	187	0.37	0.01	0.02	3,798.75	0.00	-14.44
b) Balance With Banks - Current Accounts	15,456	58,895	42,900	26,905	14,967	3,029	6,452	9,875	3.48	2.30	0.42	118.90	788.25	-69.33
c) Financial Assets at Fair Value through P/L	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Accrued Interest from Loans and Lease	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Other	40,828	155,570	167,536	179,502	95,235	10,968	8,378	5,788	9.18	15.35	1.53	-13.33	1,536.60	89.50
- Intangible Assets	361	1,375	1,381	1,387	1,271	1,154	1,088	1,021	0.08	0.12	0.16	-0.87	20.19	13.03
- Property and Equipment	609	2,322	2,400	2,478	2,040	1,601	1,045	488	0.14	0.21	0.22	-6.30	54.78	228.07
- Deferred Tax	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
- Other	39,857	151,873	163,755	175,637	91,925	8,213	6,246	4,279	8.96	15.02	1.15	-13.53	2,038.52	91.94
TOTAL ASSETS	**444,615**	**1,694,160**	**1,431,906**	**1,169,651**	**942,896**	**716,141**	**677,334**	**638,527**	**100.00**	**100.00**	**100.00**	**44.84**	**63.33**	**12.16**

Nurol Yatırım Bankası A.Ş. BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY (000)	FYE 2017 USD (Converted)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	FYE 2015 TRY (Average)	FYE 2014 TRY (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	As % of 2015 Assets (Original)	FYE 2017 Growth Rate %	FYE 2016 Growth Rate %	FYE 2015 Growth Rate %
A- COST BEARING RESOURCES (I+II)	**289,289**	**1,102,308**	**909,975**	**717,642**	**630,796**	**543,950**	**433,956**	**323,961**	**65.07**	**61.36**	**75.96**	**53.60**	**31.93**	**67.91**
I- DEPOSIT	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
a) TL Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) FC Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) FC & LC Banks Deposits	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
II- BORROWING FUNDING LOANS & OTHER	**289,289**	**1,102,308**	**909,975**	**717,642**	**630,796**	**543,950**	**433,956**	**323,961**	**65.07**	**61.36**	**75.96**	**53.60**	**31.93**	**67.91**
a) Borrowing From Domestic Market	289,022	1,101,290	901,552	701,814	622,519	543,223	407,840	272,456	65.01	60.00	75.85	56.92	29.19	99.38
b) Borrowing From Overseas Markets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Borrowing from Interbank	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Securities Sold Under Repurchase Agreements	267	1,018	8,423	15,828	8,278	727	26,116	51,505	0.06	1.35	0.10	-93.57	2,077.17	-98.59
e) Subordinated Loans & Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
B- NON-COST BEARING RESOURCES	**96,811**	**368,888**	**326,340**	**283,791**	**163,523**	**43,255**	**125,800**	**208,344**	**21.77**	**24.26**	**6.04**	**29.99**	**556.09**	**-79.24**
a) Provisions	723	2,754	2,733	2,712	3,176	3,640	3,307	2,974	0.16	0.23	0.51	1.55	-25.49	22.39
b) Current & Deferred Tax Liabilities	855	3,256	3,169	3,082	3,601	4,119	2,388	657	0.19	0.26	0.58	5.65	-25.18	526.94
c) Trading Liabilities (Derivatives)	437	1,665	7,234	12,803	6,630	457	1,334	2,211	0.10	1.09	0.06	-87.00	2,701.53	-79.33
d) Other Liabilities	94,797	361,213	313,204	265,194	150,117	35,039	118,771	202,502	21.32	22.67	4.89	36.21	656.85	-82.70
C- TOTAL LIABILITIES	**386,100**	**1,471,196**	**1,236,315**	**1,001,433**	**794,319**	**587,205**	**559,755**	**532,305**	**86.84**	**85.62**	**82.00**	**46.91**	**70.54**	**10.31**
D- MINORITY INTEREST	**0**	**0**	**0**	**0**	0	**0**	**0**	**0**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
E- EQUITY	**58,515**	**222,964**	**195,591**	**168,218**	**148,577**	**128,936**	**117,579**	**106,222**	**13.16**	**14.38**	**18.00**	**32.54**	**30.47**	**21.38**
a) Prior Year's Equity	44,147	168,218	148,577	128,936	117,579	106,222	98,322	90,422	9.93	11.02	14.83	30.47	21.38	17.47
b) Equity (Added From Internall & External Resourses At This Year)	119	455	-673	-1,801	2,266	6,333	3,133	-67	0.03	-0.15	0.88	-125.26	-128.44	-9,552.24
c) Profit & Loss	14,248	54,291	47,687	41,083	28,732	16,381	16,124	15,867	3.20	3.51	2.29	32.15	150.80	3.24
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**444,615**	**1,694,160**	**1,431,906**	**1,169,651**	**942,896**	**716,141**	**677,334**	**638,527**	**100.00**	**100.00**	**100.00**	**44.84**	**63.33**	**12.16**
(*) This item is included in Other Item	**USD Rates 1=TRY**	**3.8104**		**2.9959**		**2.9076**		**2.3189**						

Nurol Yatırım Bankası A.Ş. INCOME STATEMENT (000) TRY	FY 2017	FY 2016	FY 2015
Net Interest Income	**103,638.00**	**83,059.00**	**46,620.00**
a) Interest Income	203,006.00	139,312.00	88,661.00
b) Interest Expense	99,368.00	56,253.00	42,041.00
Net Fee and Commission Income	**9,809.00**	**14,171.00**	**9,263.00**
a) Fee and Commission Income	25,835.00	19,732.00	12,256.00
b) Fee and Commission Expense	16,026.00	5,561.00	2,993.00
Total Operating Income	**-4,852.00**	**-19,985.00**	**-9,270.00**
Net Trading Income (+/-)	-28,777.00	-15,767.00	9,701.00
Foreign Exchange Gain or Loss (net) (+/-)	14,108.00	-13,513.00	-17,994.00
Gross Profit from Retail Business	0.00	0.00	0.00
Premium income from insurance business	0.00	0.00	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	0.00	0.00
Gains from Investment Securities (Net)	1,546.00	1,145.00	1,258.00
Other Operating Income	8,271.00	8,150.00	-2,235.00
Taxes other than Income	0.00	0.00	0.00
Dividend	0.00	0.00	0.00
Provisions	**6,077.00**	**2,774.00**	**5,382.00**
Provision for Impairment of Loan and Trade Receivables	5,321.00	2,542.00	4,282.00
Other Provision	756.00	232.00	1,100.00
Total Operating Expense	**34,513.00**	**24,621.00**	**19,825.00**
Salaries and Employee Benefits	14,618.00	12,231.00	9,725.00
Depreciation and Amortization	1,208.00	752.00	522.00
Other Expenses	18,687.00	11,638.00	9,578.00
Profit from Operating Activities before Income Tax	**68,005.00**	**49,850.00**	**21,406.00**
Income Tax – Current	0.00	0.00	0.00
Income Tax – Deferred	13,714.00	8,767.00	5,025.00
Net Profit for the Period	**54,291.00**	**41,083.00**	**16,381.00**
Total Income	**137,372.00**	**106,525.00**	**64,607.00**
Total Expense	**63,290.00**	**53,901.00**	**37,819.00**
Provision	**6,077.00**	**2,774.00**	**5,382.00**
Pre-tax Profit	**68,005.00**	**49,850.00**	**21,406.00**

Nurol Yatırım Bankası A.Ş. FINANCIAL RATIOS %	FYE 2017	FYE 2016	FYE 2015
I. PROFITABILITY & PERFORMANCE			
1. ROA - Pretax Profit / Total Assets (avg.)	4.75	5.29	3.16
2. ROE - Pretax Profit / Equity (avg.)	34.77	33.55	18.21
3. Total Income / Equity (avg.)	70.23	71.70	54.95
4. Total income / Total Assets (avg.)	9.59	11.30	9.54
5. Provisions / Total Income	4.42	2.60	8.33
6. Total Expense / Total Liabilities (avg.)	5.12	6.79	6.76
7. Net Profit for the Period / Total Assets (avg.)	3.79	4.36	2.42
8. Total Income / Total Expenses	217.05	197.63	170.83
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	21.91	20.98	22.07
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	8.75	6.60	4.06
11. Total Operating Expenses / Total Income	25.12	23.11	30.69
12. Net Interest Margin	8.51	9.98	7.04
13. Operating ROAA (avg.)	11.69	11.25	9.37
14. Operating ROAE (avg.)	85.57	71.41	53.96
15. Interest Coverage – EBIT / Interest Expenses	168.44	188.62	150.92
16. Net Profit Margin	39.52	38.57	25.35
17. Gross Profit Margin	49.50	46.80	33.13
18. Market Share in Turkish Devolopment and Investment Banking Sector	0.97	0.82	0.67
19. Market Share in Entire Banking System	0.05	0.04	0.03
20. Growth Rate	44.84	63.33	12.16
II. CAPITAL ADEQUACY			
1. Equity Generation / Prior Year's Equity	0.27	-1.40	5.96
2. Internal Equity Generation / Previous Year's Equity	32.27	31.86	15.42
3. Equity / Total Assets	13.16	14.38	18.00
4. Core Capital / Total Assets	12.94	13.32	17.51
5. Supplementary Capital / Total Assets	4.12	5.74	0.80
6. Tier 1 / Risk Weighted Asset	15.13	13.30	24.17
7. Capital / Total Assets	17.06	19.07	18.31
8. Own Fund / Total Assets	17.06	19.07	18.31
9. Standard Capital Adequacy Ratio	18.05	17.34	21.66
10. Surplus Own Fund	55.68	53.86	63.07
11. Free Equity / Total Assets	12.94	14.05	17.62
12. Equity / Total Guarantees and Commitments + Equity	24.09	26.63	37.47
III. LIQUIDITY			
1. Liquidity Management Success (On Demand)	96.30	98.47	99.30
2. Liquidity Management Success (Up to 1 Month)	94.16	95.55	89.34
3. Liquidity Management Success (1 to 3 Months)	89.57	86.05	97.60
4. Liquidity Management Success (3 to 6 Months)	98.18	99.99	100.00
5. Liquidity Management Success (6 to 12 Months)	96.35	92.02	92.44
6. Liquidity Management Success (Over 1 Year & Unallocated)	92.78	92.01	99.51
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	0.30	-0.79	0.76
2. Total Provisions / Profit Before Provision and Tax	8.20	5.27	20.09
3. Impaired Loans / Gross Loans	0.31	0.00	0.12
4. Impaired Loans / Equity	1.47	0.02	0.42
5. Loss Reserves for Loans / Impaired Loans	99.02	n.m	613.15
6. Total FX Position / Total Assets	5.98	6.67	7.50
7. Total FX Position / Equity	45.45	46.39	41.66
8. Assets / Total Guarantees and Commitments + Assets	70.69	71.62	76.90

The Rating Results Issued by JCR-ER			March 30, 2018		March 22,2017		June 1,2016		May 22,2015		October 23,2014		July 31,2013	
			Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International	Foreign Currency		BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Local Currency		BBB	A-3	BBB	A-3	BBB	A-3	BBB	A-3	BBB	A-3	BBB-	A-3
	Outlook	FC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
		LC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Issue Rating		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
National	Local Rating		AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	AA- (Trk)	A-1 (Trk)	A+ (Trk)	A-1 (Trk)
	Outlook		Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Issue Rating		AA (Trk)	A-1 (Trk)	AA (Trk)	A-1 (Trk)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sponsor Support			1	-	1	-	1	-	1	-	1	-	1	-
Stand-Alone			AB	-	AB	-	AB	-	AB	-	AB	-	AB	-
Sovereign	Foreign Currency		BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Local Currency		BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Outlook	FC	Stable		Stable	-	Stable	-	Stable	-	Stable	-	-	-
		LC	Stable		Stable	-	Stable	-	Stable	-	Stable	-	-	-